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- U.S. Foods in Iran
- East German Farm Goals

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Indian workers in the State of Haryana preparing gur, an unrefined brown sugar. Turn to page 6 for article on India's 1976/77 sugar output, exports, and consumption.

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U.S. Consumer-Ready Foods Finding a Market in Iran

DESPITE DIMMING of the once-boundless optimism about Iran as a farm market, that petroleum-rich nation continues to rank as one of the most promising outlets for U.S. farm products. And consumer-ready foods for an increasingly well-to-do and sophisticated populace are among items that could gain ground, given added research and promotional efforts on the part of U.S. exporters.

These are the findings of Daniel Sheppard,[1] formerly FAS trade development officer, and Thomas E. Corum, international marketing representative of the Mid-America International Agri-Trade Council (MIATCO) in an "Agricultural Product Identification Study on Iran."

The study—based on a market survey trip to Iran last fall and extensive desk research in the United States—finds the stage already set for expanded sales of consumer-ready foods in Iran, but the market so far dominated by products from other suppliers. Among such competitors are Switzerland and several nations of the European Community.

The study reports that Iranian supermarkets, still small by U.S. standards but fast modernizing, are stocking increasing quantities of imported frozen vegetables, beef and poultry, breakfast cereals, vegetable oils, pulses, juice concentrates, condiments, and easy-to-prepare and specialty items.

During calendar 1976, U.S. exports of these and other consumer-ready food products were still overshadowed by grains and other bulk items and consequently accounted for just 2 percent of the $239 million in U.S. farm exports to Iran. However, consumer-ready-food exports have charted a generally steady growth pattern since 1969, with their 1976 sales total of $4.6 million close to five times the $1 million shipped in 1969.

Total U.S. exports of farm products, in contrast, have slumped since reaching their high of $534 million in calendar 1974, and by fiscal 1976 were down to only $148 million.

The authors describe Iran as "a country rich in natural resources that are being developed rapidly—oil at present and copper within the foreseeable future." It also is in the vortex of change brought by rapid economic growth, rising incomes, urbanization, the expanded influence of an expatriate community, and the Shah's commitment to a "white revolution," aimed at rapid redistribution of wealth and resources in Iran.

Up until 1976, the country's economy was growing at an almost unheard-of rate, with the gross national product in 1973/74 and 1974/75 (March-February) soaring 34 and 42 percent, respectively. The rate of increase slowed to 6.5 percent in 1975/76, largely because of economic recession in some markets and a subsequent decline in Iranian production and exports of petroleum. However, with the nonoil sector of the economy expanding at the real growth rate of 16-18 percent during 1975/76, chances are good that growth will continue at a rapid pace in coming years.

The Government, moreover, is making a major input into economic development, with its 1976/77 budget calling for a 34 percent increase in capital expenditures and official external borrowings of some $2 billion this year alone.

Such rapid expansion cannot help but be reflected in the food marketplace, and the authors note a growing presence of consumer-ready foods — including frozen foods — in the supermarkets. These products include:

Frozen vegetables: Green beans, peas, carrots, peas and carrots mixed, spinach, cauliflower, broccoli, corn (cut kernel and corn-on-the-cob), french fries, asparagus, and brussels sprouts;

Poultry: Chicken (whole Grade A, 800-1,400 grams), chicken parts, specialty items for the hotel trade such as Chicken Kiev and Chicken a la Cordon Bleu; whole turkeys (10-25 kg.), turkey rolls (both light and dark meat), and duckling;

Breakfast cereals: All varieties of dry cereals;

Vegetable oils: Corn, soybean, cottonseed, peanut, safflower, and mixed oils;

Pulses: Peas, lentils, beans (red and white), and rice (all bulk—no packaged goods);

[1] **Mr. Sheppard, recently retired from FAS, is now a food-export consultant.**

Spices and condiments: Ketchup and mustard, hot sauce, soy sauce, cocoa powder, corn sirups, and groundnuts for the ice cream and dairy industries;

Juice concentrates: Orange, grapefruit, and pineapple (must be 100 percent pure, with no sugar added);

Specialty items: Full line of frozen bakery products, dietetic foods, marshmallows, popcorn, peanut butter, flavorings for the bakery and dairy industry (rum, strawberry, raspberry, chocolate, vanilla, and banana), and cake mixes.

Imports of all canned fruits and vegetables, on the other hand, are prohibited. Import duties on food products range from 5 percent on rice to 50 percent on sauces and condiments.

One handicap to selling in Iran is the overburdened transportation system, which results in port backups as the influx of imported products exceeds the country's capability to handle them. This has led to the paradox of food shortages in Iran even while ships are lined up in harbors of the major ports waiting to be unloaded.

There are, in fact, only four major ports—Khorramshahr, Bandar Abbas, Bandar Shahpur, and Bushire in Iran, with Khorramshahr ranking as the general cargo facility and principal port of discharge. Bandar Shahpur handles mainly bulk and Government cargoes; Bandar Abbas, a new port in the south, is used both by the military and for general cargo; and Bushire is a limited facility capable of processing only about 1,000 tons of cargo a day.

This high dependence on a few ports —and Khorramshahr in particular—has resulted in vessels waiting for 30-35 days for berthing space, although the waiting time for barge cargo reportedly has been cut from about 4 months to anywhere from 24 hours to 5 days.

After 10 days' free time, demurrage is charged at Khorramshahr. In fact, many consignees reportedly "abandon the cargo after sizable demurrage charges have occurred," with the cargo "then taken into the possession of Customs for auction to satisfy the outstanding charges." At one time in September, Khorramshahr held some 300,000 tons—or over one-half its total capacity—as "dead cargo."

Other results of the port congestion include a high incidence of cargo damage and loss; difficulties in identifying cargo ownership; mishandling; and fire hazards. Iran likewise suffers from a shortage of surface transportation from

U.S. Food Shows in Cairo and Tehran

Tradesmen in Egypt and Iran will be introduced to many U.S. processed food products at U.S. trade-only food shows, to be held for the first time in Cairo and Tehran in late May and early June. Fifty U.S. participants, representing 75 firms, will display a wide variety of U.S. prepared foods.

Scheduled for May 22-24 in Cairo's Hotel Meridien and May 31-June 2 in Tehran's U.S. Trade Center, these area food shows will feature many brand-name products used extensively by institutional feeding services in the United States. These range from textured vegetable protein, canned and frozen fruits, vegetables, meats, and poultry, to vegetable oils, pulses, condiments, and flavorings.

Other products that will be displayed include egg products, cheeses, cookies, crackers, dried fruits, and nuts.

Most of these will be available for sampling.

These food items are expected to attract the special attention of food planners working in institutional kitchens, hotels, catering, and in the wholesale food trade in Egypt, Iran, Saudi Arabia, Bahrain, and Kuwait.

Food studies made in both countries in 1976 by FAS and the National Association of State Departments of Agriculture have demonstrated that the regional sales potential is strong for the kinds of products being exhibited at the two shows. They also indicate that tourism is growing in both countries, creating a demand for imported foods, that there are numerous citizens who have acquired a taste for many Western-type foods—thereby further strengthening the demand potential—and that the economies of both countries in the long run will support sizable purchases of such foods.

A similar assessment of sales potential was made by the Poultry and Egg Institute of America, which recently studied several countries of the Middle East.[1]

Egypt and Iran are growing markets for U.S. processed food products. These exports to Egypt in 1976 were valued at $1.7 million—up from $1.2 million in 1975. Processed product exports to Iran in 1976 total $4.6 million—a fourfold increase over 1970's.

[1] **Further information on PEIA activities and trade contacts are available from Lee Campbell, vice president for governmental relations, PEIA, 425 13th Street, N.W., Washington, D.C. 20004, 202-DI7-3991.**

Scene of Cairo food show

Khorramshahr to other cities, and the railroads serving the port are both substandard and lacking in suitable rolling stock. As a result, trucks are the main means of surface transport.

One firm contacted about the problem advised the use of overland container service via the ports of Hamburg/Bremen or Rotterdam. Cargo also may be air freighted, but this is expensive.

As in many overseas market, exporters to Iran must often deal with several middlemen. These middlemen have provided credit, storage, and handling services, but since they are primarily traders, buying and selling commodities, they have done little to improve the marketing system. "Sometimes commodities change hands five or even six times before reaching the consumer," report the authors.

The middleman's position has, however, weakened in recent years, in response to the Government's expanding role in marketing and more direct buying by private supermarkets.

The Government today handles the marketing of wheat, sugar, rice, and other bulk commodities, controlling supply, regulating prices, and monitoring retail prices.

Cooperatives also play a role in Iranian marketing, owning some self-service food stores that sell good-quality foods at subsidized prices and cater to middle and lower income levels.

Private ownership, however, is more preponderant in the supermarket trade. These supermarkets—which carry fairly wide lines of products, including imports—"have caused the smaller retailer to broaden product lines and in some instances even to improve hygienic conditions of their stores." Supermarkets also are buying more products directly from producers and processors than in the past and some have established their own quality and grading standards.

The authors caution, however, that the Iranian supermarket industry is still in its infancy. Most stores visited were small by American standards, with limited selections and narrow aisles although many of them still usually

DOING BUSINESS IN IRAN: Tips for the U.S. Food Exporter

Although a market with great future potential, Iran is not the place for traders inexperienced in that country's way of doing business. Extensive Government control of the marketplace; a complicated marketing system, often involving several middlemen; and port backups are among the problems facing U.S. food sales in Iran, along with business procedures that do not always coincide with those in the United States. Following are some tips for the potential exporter:

- There is no substitute for personal representation. It is imperative that the American exporter visit the area and observe first hand Iranian business practices.
- Answer all correspondence promptly, and address all businessmen as Dear Mr. (name); do not use such salutations as "Dear Sir." Be brief but as informative as possible.
- Avoid long-term commitments. Business conditions in Iran are as subject to change as in the United States. Flexibility is advantageous.
- Give careful consideration to the appointment of agents, especially those requesting exclusivity. Several complaints have been received from Iranian agents about Americans who gave exclusive rights to them and to other agents as well.
- Be prepared to deal with individuals whose names may be spelled several different ways, since in many cases there are no direct literal translations from Farsi—the national language—into English. The usual technique is a phonetic equivalent in English of the Farsi pronunciation.
- In financing exports, it is recommended that U.S. exporters request irrevocable letters of credit confirmed by U.S. banks in order to ensure prompt payment of the export transaction. U.S. exporters also are advised to seek counsel from international bankers concerning long-term financing and financing commitments in joint-venture arrangements and licensing agreements. For sizable transactions, it is also possible to secure financing from the Export-Import Bank and the Foreign Credit Insurance Association.
- Note that imports of foodstuffs, beverages, and other food-related items are subject to prior approval by the Ministry of Health. Iranian importers can make the necessary investigations with the Ministry and advise the U.S. exporter of the product's acceptability in Iran.
- Address all shipments and correspondence to Iran, Persian Gulf. The term "Arabian Gulf" may not appear on shipping documents or on the consignment itself.
- The importer registration number (which is furnished to the American exporter by the Iranian company) must appear on all documents. Goods should not be shipped before confirmation of the import registration is received, and corrections are not allowed on documents.

Documents required by the Iranian Government on exports to the country include:

Commercial invoice. Three copies required, and a commercial invoice must be certified by a recognized chamber of commerce, which usually requires one additional copy for its files. The invoice is then presented for legalization to the Iranian Consulate, which retains a copy, and sends the other two to the authorized Iranian bank named in the letter of credit.

The commercial invoice must contain an itemized statement of the current export price of goods and charges to c.&f. for imports covered by letters of credit where insurance must be taken out in Iran, or to c.i.f. for imports covered by a bill for collection where foreign exchange for insurance is granted. (The latter case is atypical; most transactions are insured by the Iranian buyer.) The country of origin must appear on the invoice.

Certificates of origin: These are not required unless specifically requested in the letter of credit or by the importer. When requested, two copies on

have frozen food sections.

Efforts being made to change this situation and bring further modernization to the industry reportedly include one joint-venture between a U.S. chain and a leading supermarket owner in Tehran. Their agreement calls for opening of five new stores in the near future.

The authors also report that supermarket owners, importers, and consumers respect American quality and "without exception" are keenly interested in U.S. meats and other U.S. food products. But capitalizing on this interest could be impeded by Government policies that prevent supermarkets from charging higher prices for high quality produce or meat.

the usual form—available from commercial stationers or from many chambers of commerce—are necessary.

Bills of lading: Two copies should be sent to the importer's bank. There are no regulations specifying the form or number of bills of lading required for particular shipments. The usual practice is to follow the directions set out in the letter of credit.

U.S. export declaration: This document is required for shipments valued over $250 or when shipments are made against a validated U.S. export license. The $250 exemption applies to goods under each Schedule B number in a single shipment from one exporter to one importer. (The U.S. Department of Commerce can counsel exporters on this requirement.)

Veterinary certificate: U.S. exporters of veterinary products, including feed concentrates and supplements, are required by the Iranian Ministry of Agriculture and Natural Resources to furnish a certificate stating the product is produced, used, and sold freely in the United States. The document must be certified by the Veterinary Department of the Department of Agriculture of the respective State in which the shipment originated and then must be legalized at the Iranian Consulate.

This requirement applies to an initial transaction. Once the product has been cleared in Iran and reorders are placed, it is not necessary to furnish the documents again.

Poland's Grain Crops Up, But Imports To Stay High

ALTHOUGH POLISH GRAIN crops have recovered from 1975's low level, and the animal population continues to decline, Poland will probably buy more foreign grain this season than in the previous one. And much of this grain will come from the United States.

Because of the 1975 grain shortfall, Poland pushed imports in 1975/76 to 5 million tons but it could not make up for the deficit that resulted from a grain crop 16 percent less than 1974's 22.9 million tons. In 1976/77, grain imports are expected to rise again—probably to 6 million tons.

In 1975/76, Poland imported 1.7 million tons of wheat, nearly 183,000 tons of rye, 1.2 million tons of barley, and about 32,500 tons of oats. It also bought 1.7 million tons of corn, 22,860 tons of buckwheat, and 277,000 tons of grain sorghum. The United States was a major source of much of this grain providing slightly more than 1 million tons of wheat, 1.6 million tons of corn, 191,000 tons of grain sorghum, 249,669 of barley, and smaller volumes of rye and oats.

Poland's grain import requirements for 1976/77 are expected to include 1 million tons of barley from the Soviet Union and 5 million tons of other grains from a number of sources. In 1975/76, the USSR provided Poland with some 1,500 tons of wheat and 851 tons of barley.

At present pegged at about the same level as in 1975/76 (about 3 million tons), Polish imports from the United States may vary somewhat if other wheat producers have large enough crops to compete aggressively. Polish sources also expect the European Community to offer wheat in 1977.

According to Polish press reports, Poland signed an agreement with Canada in November 1976 to purchase 750,000-1.2 million tons of wheat, oats, and barley during the next 3 years.

The terms of the agreement, plus Poland's expressed intentions to buy about 2.5 million tons of grain from the United States through 1980, indicate that Poland expects to cover about 2.75-2.90 million tons of its annual import requirements from these two sources, at least for the next several years.

In U.S. fiscal 1976, the Commodity Credit Corporation (CCC) financed exports to Poland totaling $78.5 million for the purchase of U.S. grains—$38.8 million in feedgrains and $39.7 million in wheat. Thus far in fiscal 1977, CCC credit lines extended to Poland for the the purchase of U.S. grains total $145 million—$85 million for wheat and $60 million for feedgrains.

Poland's 1976 output of grains—of which rye, wheat, barley, and oats were the most important—is estimated at some 20.6 million metric tons, 5.8 percent greater than the 19.4 million tons of 1975. In 1975, production of rye stood at 6.3 million tons, and that of wheat at 5.2 million. Output of barley, oats, and mixed grains totaled nearly 8 million tons.

Having been delayed for an average of 10 days, sowing of 1976 winter grains for harvest in the spring of 1977 was completed by the end of October. Crop conditions as of mid-January were reportedly similar to those at the same time last year. Subfreezing weather in December had no adverse effect on the winter crops.

The 1977 plan calls for the sowing of 14.7 million hectares of land, 8.1 million in grains (of which 1.8 million are winter wheat and 380,000 spring wheat), 1.2 million in industrial crops such as rapeseed, sugarbeets, and tobacco, 2.4 million in potatoes, 265,000 in vegetables, and 2.7 million in feed and other unlisted crops.

This season's expected grain imports of 6 million tons, combined with the 1-million ton increase in grain outturn and larger domestic procurements will make possible the rebuilding of exhausted stocks and refilling of supply pipelines, since the lower livestock numbers will lessen demand for feedstuffs. A larger potato crop—up 7.7 percent to 50 million tons—will also add to the amount of feedstuffs available.

Totaling 8 million tons in 1974/75, Poland's commercial feed production rose by 6 percent the next year to 8.6 million tons. Total consumption of grains by livestock, however, is estimated at around 16.8 million tons—

down 9 percent or 1 million tons from that of 1974/75. The decline affected State farm and cooperative feed production (most likely in that order), rather than commercial feed output.

In 1975/76, feed supplied to domestic users totaled 6.31 million tons—4.8 million tons of mixed feed and the balance feedgrains. A year earlier, the total had been 6.26 million tons, with mixed feeds making up 4.6 million tons.

After having experienced trouble in getting farmers to fulfill delivery contract's for grains, livestock, and other commodities in 1975/76, the Polish Government has devised a policy under which coal and mixed feeds can be bought only by farmers who have made their deliveries.

Feed supplies will be allocated according to a schedule that permits the purchase of 200 kilograms per head of swine delivered, a half kilogram per live-weight kilogram of slaughter cattle, 200 kilograms per head of swine or cattle breeding stock, or 300 kilograms for registering a litter of piglets. The list also includes varying amounts than can be purchased for delivering eggs, broiler chicks, geese, and fattened ducks and turkeys.

In return for delivering 1,500 liters of milk or 12 quintals of grain, a farmer gets permission to purchase 1.5 tons of coal. In the poultry sector, the delivery of each laying hen entitles the seller to buy 3 kilograms of coal and with the delivery of each kilogram of poultry meat, 2 kilograms of coal.

Poland's reduction in livestock numbers, a consequence of last year's feed shortage, has mostly affected the pork sector, and—since 70-75 percent of Poland's meat consumption is of pork—complicates an already existing shortage. However, prospects in the pork sector have brightened since activity there has increased in recent months. Prices have risen somewhat, more sows are being bred, and the demand for breeding animals has grown.

Census data collected in January 1977 from all private and specialized meat producers indicate that since June 1976 (when the last census was taken) total cattle numbers fell by about 7 percent to 12 million head, cows, by about 5 perecnt to 5.8 million head, and total swine, by 11 percent to 16.7 million. Sow numbers rose by 1.2 percent to 1.8 million. —Based on report from *Office of U.S. Agricultural Attaché, Warsaw*

After Dramatic Rise, India's Sugar Exports Seen Slipping

By M. S. TAKKAR
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AFTER A SPECTACULAR rise to become India's top agricultural foreign exchange earner the last 2 years, Indian sugar exports were pointing downward for fiscal 1976/77, which ended March 31 of this year.

Provoking the change are recent Government policies that stress controlling inflation and food prices in India rather than exporting commodities, such as sugar, when world prices are low.

Average world sugar prices were about 18-20 cents per kilogram at the end of 1976, compared with about 29 cents a year earlier.

Also, India no longer has a large trade deficit because imports of grain and fertilizer have been sharply reduced, while exports of industrial products and agricultural commodities such as tea, coffee, oilseeds, fresh produce, and unmanufactured tobacco have increased.

In 1976/77, production was estimated at around 4.7 million metric tons, just under the record refined-sugar output of 4.8 million tons in 1974/75. But more of this outturn was consumed at home as low world sugar prices discouraged exports.

Total consumption of mill sugar during 1975/76 is estimated at 3.6 million tons, compared with 3.45 million tons a year earlier. Based on an estimated population of 611 million as of April 1, 1976—an increase of 13 million in 1 year—the annual per capita consumption of mill sugar rose to about 6.0 kilograms, compared with 5.8 kilograms in 1974/75.

Through the last fiscal year (April 1975-March 1976), this rising domestic consumption had not yet curbed refined sugar exports, which for the second straight year ranked as India's leading agricultural foreign exchange earner by ringing up $558 million—despite a half-million-ton shortfall in production. In this period, refined sugar accounted for almost one-third of the country's agricultural export earnings, a sharp contrast to the insignificant share of 6 percent (about $33 million) in 1970/71.

In 1976/77, however, the volume of sugar exports will likely show a drop of about 500,000 tons from the 1.2 million tons of the previous year. Consequently, a sharp drop in value of sugar exports is expected for 1976/77 with the estimate now pegged around $100 million.

As of November 30, 1976, the State Trading Corporation of India, Ltd., the official agency for sugar exports, had contracts for the 1976/77 season of only about 625,000 tons, valued at about $190 million.

A look at the major buyers of Indian refined sugar during calendar 1976 shows that the United States moved to the top of the list, while Mideast countries dropped drastically. The leading importers and quantities purchased—through December 31, 1976—were: the United States, 141,000 tons; Iran, 125,000 tons; Indonesia, 154,000 tons; Sudan, 105,000 tons; Egypt, 77,000 tons; Romania, 63,000 tons; and Yemen, 52,000 tons.

AFTER rising steadily from 3.7 million tons in 1970/71 to the record heights of 1974/75, refined sugar output fell 540,000 tons to 4.26 million tons in the 1975/76 season (October-September). This sharp drop is primarily attributed to a large-scale diversion of sugarcane toward the production of khandsari (native semiwhite centrifugal sugar) and gur (farm-made unrefined brown sugar). Other contributing factors were delays in granting incentives to sugar factories in the beginning of the season, and a wide disparity of taxes between sugar and khandsari.

Plantings for the 1976/77 sugarcane crop were made under generally favorable weather conditions, but pyrilla pest infestations have affected standing crops in the States of Haryana, Punjab, and parts of Uttar Pradesh. Sugarcane harvested hetareage and output in 1976/77 are currently estimated at slightly more

In the State of Haryana, Indians (top photo) are involved in the boiling stage of processing khandsari, a native type of semi-white centrifugal sugar. Sugarcane harvesting (above left) is underway in India, the world's third largest producer of centrifugal cane sugar. A solitary worker (above) assists in the drying operation of khandsari. India's refined sugar production in 1976/77 is estimated at near-record levels, but sugar export earnings are expected to drop.

than 2.8 million hectares and about 145 million tons, respectively.

India's goal is to boost its installed capacity of sugar plants to about 5.4 million tons by the end of the Fifth Five-Year Plan in 1978/79, up from the 4.3 million tons at the end of 1973/74. India is the world's third largest producer of centrifugal cane sugar, ranking behind Brazil and Cuba.

The sugar industry has urged the Government to adopt an "integrated and coordinated" sugar policy to step up production, maintain price stability, maximize exports when prices are high, increase the minimum price of cane paid by the mills—currently at just under 1 cent per kilogram—and reduce the excise duty on free-sale sugar.

The industry is concentrated mainly in Uttar Pradesh, Maharashtra, Bihar, and Andhra Pradesh. Of the 251 factories operating in the fall of 1976, 96 were cooperatives, 13 were Government-owned, and 142 were privately owned.

However, a survey of more than 200 factories with an installed capacity of over 4 million tons revealed that many were old and operating with dilapidated equipment. The Industrial Development Bank of India has been given the task of coordinating the modernization of the country's sugar industry. The first priority is aimed at factories with a crushing capacity of less than 1,250 tons to help them reach viable production levels. Other priorities include semi-electrification of plants, plus improvements in thermal, milling, and boiling house efficiency.

East German 5-Year Farm Goals To Be Hard To Achieve

By THOMAS A. VANKAI
Foreign Demand and Competition Division
Economic Research Service

TO REDUCE ITS dependence on grain and oilmeal imports, which have gained sharply in recent years, the German Democratic Republic (GDR) is emphasizing grains over livestock in its 5-year plan for 1976-80. However, many observers believe the plan's goals are highly optimistic in view of past below-target results and the limited amounts of resources being allocated to agriculture. And even if the goals are met, they are expected to have little effect on currently strong U.S. grain and oil meal exports to the GDR.

The total value of U.S. agricultural exports to the GDR reached a record $406 million in fiscal 1976, which is more than double that of 1975. It is expected to be even higher in 1977.

Calling for increases in all segments of the economy, the 5-year plan sets a growth target of 18-19 percent for the country's gross agricultural production. In terms of grain equivalents (used to gage both crop and livestock production), the new output target is 4.6-4.8 tons per hectare, compared with the attained 1971-75 average of 3.97 tons. The emphasis on growth in crop production—set at 21-22 percent during the next 5 years, compared with 16 percent for livestock production—will reverse the earlier trend of faster growth in the livestock sector.

Output of all grains—targeted at 10.5 million tons in 1976-80—is expected to climb one-fifth higher than output attained in the previous plan period. Improved yields are expected to account for more than two-thirds of the rise, while an increase in sown area will account for the rest. The 1976-80 plan calls for a grain yield of about 4.1 tons per hectare, compared with 3.62 tons in 1971-75.

To meet the planned increase in sugarbeet production, emphasis will be placed on planting improved sugarbeet varieties and introducing better cultivation techniques, which should lead to a higher yield and improved sugar content by the end of the plan.

Potato production plans intend to stabilize output at 11 million tons, with a decline in area being compensated by an expected rise in yields. The accent in potato growing will be on specialization rather than increased area.

Fruit, vegetable, and pulse production all are expected to rise—fruit by 10 percent, vegetables by a sizable amount stimulated by construction of more greenhouses, and pulses from the present 100,000-ton level to 250,000 tons by 1980.

Production expectations seem to be overambitious considering that lesser goals were not attained during the two previous 5-year plan periods. Also, the 1976-80 goal's modest investment plans will be hardly adequate to generate the planned growth in output.

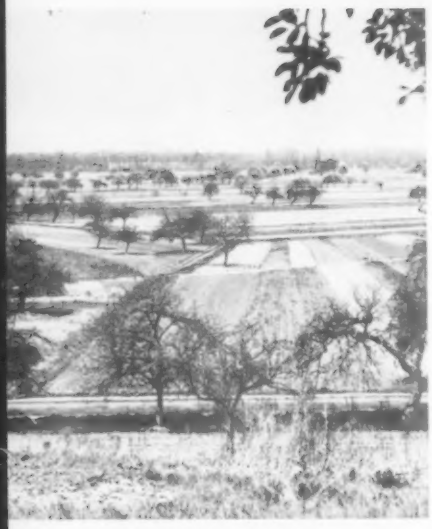
Comparisons with past performances, show that in 1966-70, a growth of 13-15 percent was planned, but only 8 percent, was achieved. In 1971-75, a 12.5 percent rise was set, but only 11 percent realized. Meeting present goals will be even more difficult as some are greater than those in the past and all start from a higher base.

Grain production during 1971-75 rose by 30 percent; oilseed production, by 16 percent. The gains were much smaller for other products, and potato production declined. The livestock sector—led by pork and poultry—fared better than the crop sector.

The present plan will try to brake the overrapid growth of the livestock sector. In the past, it expanded at a faster clip than crop output, causing a deterioration in the feed-livestock self-sufficiency ratio. Present plans call for reversing the trend that had widened the gap between feed requirements and availabilities.

But higher Government purchase plans indicate that larger outturn of meat, along with that of milk and eggs, is expected. The plans for purchasing were used to estimate production plans. In 1975, for example, these purchases accounted for 95 percent of the country's slaughter animals, 94 percent of the milk output, and 92 percent of the eggs. Accordingly, based on the purchase plans, production of slaughter animals in 1976-80 will reach 2.46 million tons (live weight), eggs, 284,000 tons and milk, 8.8 million tons.

These represent gains over the 1971-75 production levels of 16 percent for slaughter animals, 10 percent for eggs, and 14 percent for milk, compared with rises in 1971-75 over 1966-70 of 20 per-



Above, East German apple orchard. Left, grain harvesting in Mecklenburg Province. The GDR has set high production goals for fruit and grain in its latest 5-year plan (1976-80), along with boosts in most other crops and in livestock. But some observers believe the East Germans will be unable to meet these targets.

cent for slaughter animals, 14 percent for eggs, and 10 percent for milk.

For 1976-80, annual growth rate in total investments is set at between 5.2 and 5.8 percent—about the same as in 1971-75—when 4 percent was realized. However, the investment targets for agriculture have not been published, and only some targets for individual inputs, such as fertilizer, tractors, and land improvement were given.

To reach the production goals of the current plan, 49,000 tractors and more than 7,000 combines will be supplied to farms—many of these with higher production than those in use at present. Irrigation equipment is slated to be installed on 500,000 hectares during 1976-80, in addition to the new installations on 400,000 hectares in 1971-75.

(A GDR survey has found that 3.2 million hectares of land are suitable for irrigation, but that only 600,000 hectares have equipment in place at the present time.)

Fertilizer use is planned to increase 11 percent, compared with the 17 percent rise actually achieved in 1970-75, but this reduced growth rate will be partially compensated by more scientific application methods.

However, a study at the University of Kansas reveals that what is known of the level of planned investment indicates it is inadequate to generate the 18-19 percent planned growth in the agricultural sector. According to Ronald A. Francisco, author of the study, a 115 percent increase in investments would be needed to produce the planned growth, whereas it is not indicated that agricultural investment growth could be higher than the 5.2-5.8 percent for the whole economy. And even if the planned investment growth in agriculture were somewhat bigger, and the conclusion reached in the study exaggerated, it identifies an important shortcoming of the plan.

The situation is further complicated by the 1976 drought, which set back the 5-year plan at its beginning. The drought-reduced feed supply caused a 4 percent drop in hog numbers and a fall of 1 percent in cattle numbers during 1976.

If further reduction of the herd is to be avoided, grain imports must be stepped up to offset the drought-caused shortfall.

Actual food consumption in 1975 surpassed planned levels in almost all categories. Planned consumption of meat was set at 72-75 kilograms per person, but actually reached 77.8 kilograms. Milk usage was to be 103 kilograms, but actually was 105.3 kilograms. Fruit consumption was about 9 percent higher than planned, and vegetables about 2 percent higher. Egg consumption had been set at 247 per person, but per capita consumption was 268. Only butter and coffee usage were less than planned.

Food prices have generally remained stable with the help of an annual Government subsidy of about 10-12 billion marks (2.55 marks=US$1); consequently, the cost of the subsidy is climbing congruently with increasing food consumption.

In line with the ambitious production plans, the consumption growth target is 20-22 percent. Consumption will be stimulated by the same rate of increase as that of personal disposable income. However, it is expected that the demand for industrial consumer goods will outpace demand for food, while growth in meat consumption will slow down.

THE DETERIORATING terms of trade have been another drag on the economy.

At 1970 prices, GDR exports during 1971-75 rose a faster 55 percent than the 42 percent gain in imports. However, at current prices, the gain in imports is 93 percent, compared with only 82 percent for exports, pointing to a price rise 1.8 times faster than for exports. This deteriorating trade balance caused a $1.2 billion deficit in 1975, compared with $895 million in 1974 (based on the $1.35 value of the valuta mark—the denominator used to calculate foreign trade values).

Currently, about two-thirds of the GDR's trade is with other members of the Council for Economic Mutual Assistance (CEMA)[1], and GDR estimates indicate that this trade may grow by 50 percent during the next 5 years. However, estimates have not been released on planned trade with non-CEMA nations, nor on total agricultural trade. The GDR's estimated exports of farm products in recent years have fluctuated between 6 and 8 percent of total exports, and imports, between 25 and 30 percent of total imports.

Despite these apparent weaknesses, the GDR has a number of strengths that could help agricultural growth reach targeted levels without extra large outlays being required. It may be possible, for example, to improve feed rations, extend the utilization of straw for feed, and improve feeding efficiency through establishment of larger scale, specialized operations. Also, the GDR's financial position could be helped by credits extended by the Soviet Union, the Organization of Petroleum Exporting Countries, and the West. At present, the main concern of potential

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[1] **CEMA countries are Bulgaria, Czechoslovakia, GDR, Hungary, Outer Mongolia, Poland, Romania, and USSR.**

Austria Hopes To Produce Wheat and Sugar for Export

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Harvesting grain in Austria. Mainly as a result of increases in yields, Austria is now virtually self-sufficient in breadgrains and feedgrains.

AUSTRIA, whose year-to-year production of key agricultural commodities historically has only occasionally exceeded domestic demand, is examining the possibility of expanding its output of two major crops—grain and sugar—with the objective of developing export markets for these products.

Foreign sales of Austria's major agricultural products have not been the result of export-oriented production strategies, but generally have been surpluses —usually priced above world market levels—that cannot be accommodated within the country.

Cattle and dairy products produced in Austria's mountain areas are examples of these exports. In ordinary circumstances, neither commodity can be sold abroad unless prices are lowered through substantial export subsidies.

This policy has generated criticism by nonagricultural groups that these subsidies foster excess production and burden the taxpayer with the cost of surplus disposal.

However, one of the guiding principles of Austrian agricultural policy is that the numerous family farms in Alpine hardship areas should be preserved for better or worse.

Such farms are viewed not merely as production areas for cattle and dairy products but also as recreation locations for tourists. Thus, excess production of cattle and milk—the only commodities that farms in Alpine locations can produce profitably—is likely to continue.

In the case of grain and sugar, however, some experts believe genuine export industries can and should be developed.

Grain. Austrian grain production has come a long way since the early postwar years when the country needed large grain shipments under the Marshall Plan to feed its population.

Mainly as a result of massive increases in yields—reflecting better technologies and greater fertilizer use—virtual self-sufficiency in breadgrains and feedgrains has been attained in recent years.

Net imports of grain dropped from 827,000 metric tons in 1966 to 111,000 tons or about 3 percent of total supplies in 1975. And these imports consisted mainly of brewing barley and high-starch corn—commodities the country needs to buy abroad even in heavy-yielding seasons.

In 1976, for the first time in its postwar history, Austria became a small net exporter of grains. During 1975/76 (July-June) exports came to 107,000 tons, including 88,000 tons of wheat and 18,000 tons of rye, while imports totaled only about 93,000 tons.

The decision to sell domestic grain abroad mirrors the Agriculture Ministry's concern that continuing increases in output might pose grave storage and disposal problems.

Final data indicate that in 1976—despite the drought—Austrian farmers harvested their largest wheat crop—more than 1.2 million tons. This means another hefty surplus of soft wheat, which must be used as livestock feed. Since this step will involve considerable public spending for subsidy payments and grain staining costs, the Government may speed up current plans to reform the domestic grain growing system.

Austrian farmers are under no restraints where plantings to soft wheat are concerned. For high-protein wheat and Durum, by contrast, the Agriculture Ministry operates a restrictive area allocation scheme.

Its purpose is to make sure that such wheat is only grown in suitable locations—the drier parts of eastern Austria —and that output does not exceed domestic requirements.

The reform plans now under discussion call for the scrapping of these planting restrictions. Experts believe that farmers—given the option to put more land in high-protein wheat and Durum—are sure to do so, since fixed producer prices for these items are appreciably higher than those for soft wheat.

The result would be both a decline in the burdensome soft wheat surplus and sizable availabilities of high-grade wheat for export.

A LEADING grain expert has warned that Durum wheat (average production: about 24,000 tons) may not lend itself readily to systematic planting for export. The climatic conditions prevalent in this country are too unpredictable to give reasonable assurance of satisfactory yields.

For normal high-protein wheat (average production: 200,000 tons) he sees

no such deterrent. He estimates that the country has the capacity to grow an additional 100,000-150,000 tons of this commodity for export.

With soft wheat output and supplies moving to the feed market substantially reduced that way, the prospect of an overall feedgrain surplus would no longer loom as large as it does at present. Also, growers diverting area from soft to Hard wheat would have the benefit of earning some extra income.

The proposed scheme contains an element of risk, however, which would be borne by the Government. Returns from wheat exports may vary a great deal with changes in world wheat prices.

While in some years Austria may turn a profit, a subsidy may be needed in other seasons to effect export sales of wheat. This subsidy would be financed with public funds.

Conversely, if Austrian wheat were to sell abroad at prices above the domestic level, the differential would be collected by the Agriculture Ministry. In short, fluctuations in export prices would not affect domestic wheat growers.

Potential markets for Austrian wheat are believed to exist in southern West Germany and in East European countries.

Sugar. For almost 20 years, Austria has produced enough sugar to meet domestic requirements. Steady gains in labor productivity have made it possible to hold the increase since 1951 in Government-fixed retail prices for sugar to about 42 percent. During this period, the overall cost-of-living index advanced some 162 percent.

Part of this relative price stability reflects the constant attention Austria's seven sugar factories have been devoting to refining technology.

On the beet growers' side, considerable savings were effected through a reduction—from 40,000 in 1961 to 17,300 in 1975—in farms producing sugarbeets under planting and delivery contracts with the factories.

After the industry's main streamlining phase ended a few years ago, it became even more difficult to raise productivity levels. Mounting cost-price squeezes ensued.

When the oil crisis caused the inflationary spiral to spin faster, industry lobbies began to hold out for substantial sugar price hikes. This step, however, met with stiff opposition from labor organizations and authorities concerned with stabilizing food prices. The search for a way out of the dilemma began in earnest.

In January 1976, negotiators of both sides agreed on a compromise that was hailed as a major breakthrough toward more flexible production and export policies. It does indeed call for some important changes from previously established practice.

In the past, care was taken not to produce sugar in excess of domestic needs. This was accomplished through contracts between growers and processors that limited beet area and deliveries to quotas based on estimated domestic sugar requirements.

Production of sugar for export was never contemplated in those years, because Austrian prices were running above world levels.

With 1975's high world sugar prices, Austrian manufactured sugar was able to compete in foreign markets without any public export assistance. This factor, and projections for an increase of 25 percent in world sugar requirements through 1985, inspired the January 1976 decision to liberalize both the industry's self-imposed area limitations and the Government's traditionally restrictive policy on Austrian sugar exports.

The January 1976 accord gives the industry a free hand in producing sugar for export at its own discretion. Export control authorities will not interfere with the industry's foreign sales activities as long as domestic supplies are fully assured. In return, sugar manufacturers have agreed to freeze domestic prices of sugar through January 1978.

Sugar exports on a significant scale got underway following the 1975/76 beet processing campaign, which yielded a record 471,000 tons of white sugar. With only about 310,000 tons needed to supply the country's population and maintain inventories, some 160,000 tons were available for export. About 150,000 tons have been shipped to Hungary, Yugoslavia, and a few other destinations.

Producing sugar for export has several important advantages. It enables factories to make better use of processing capacities and thus reduce costs, provides more jobs for seasonal workers, and—last but not least—it gives farmers a chance to make more money by planting additional area to sugarbeets—one of the best income earners in the country's principal cropping areas.

Another positive aspect is that volume exports of sugar will help reduce Austria's huge farm trade deficit.

There are risks, however. Selling sugar abroad becomes a losing proposition when world prices are below the industry's costs. It is part of the accord with the Government that manufacturers will not ask for a compensation or export subsidy. The factories have put aside part of the profits earned from previous export sales to serve as a buffer against any such contingencies.

Also, a serious impairment of domestic exporting interests is seen in the Lomé Agreement, under which the European Community imports large tonnages of sugar from developing countries and then resells it at subsidized prices to third countries. Austrian authorities have notified the EC's Brussels headquarters of their concern over this matter.

Austria's sugar-for-export concept is a long-term project. It roots mainly in the belief that the country should produce sugar over and above national requirements as insurance against possible weather-induced crop losses and resultant sugar supply deficits in some seasons. It is understood that short-term fluctuations in world sugar prices will not affect the basic philosophy underlying this scheme.

At least one Austrian sugar industry

AUSTRIA: GRAIN PRODUCTION, 1966-1976
[In 1,000 metric tons]

Period	Wheat	Rye	Corn	Oats	Barley	Mixed grains	Total
1966-70 (average) ...	949	391	460	309	819	93	3,021
1971	974	448	772	284	1,016	102	3,546
1972	863	402	726	255	977	95	3,318
1973	939	400	966	284	1,087	112	3,788
1974	1,102	415	857	290	1,238	113	4,015
1975	945	347	981	306	1,006	119	3,704
1976	1,097	398	915	278	1,200	122	4,010

Source: Austrian Central Statistical Bureau.

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leader has noted that the present level of world sugar prices does not augur well for Austrian exports during 1977.

To effect any exports at all, the industry will have to subsidize its foreign sales of sugar with profits accrued from earlier exports. Such a step would deplete the funds available for export payments.

Some believe, however, that world sugar prices may rise in 1978, making sugar exporting once again a profitable operation. Also, some industry leaders are seeking a Government commitment to financial assistance if and when losses on sugar exports threaten to push the Austrian industry into the red.

East German Farm Plan

Continued from page 9

lenders is not the magnitude of GDR indebtedness, but the sudden growth of its trade deficit.

But there are other handicaps to overcome. The drought in 1976—described as the worst in 100 years—seriously hurt all of the GDR's crops with the exception of rapeseed, which ripened before the dry, warm weather took its toll. Grain output was about 1 million tons below the poor 1975 crop, although better than had been anticipated. And losses in forages and potatoes are in the 20-30 percent range.

Committed to maintaining the present livestock inventory, the GDR will be forced to boost in 1976/77 its grain imports by 1.5-2 million tons. According to present USDA estimates, a record 4.5 million tons of grain imports will be needed. The United States is expected to supply about 3 million tons, and the USSR about 1 million tons. The GDR will probably keep its oilmeal imports at 800,000-900,000-tons, with the United States providing about 300,000 tons.

The United States exported 797,000 tons of grain to the GDR during July-October 1976, compared with 443,000 tons in the same period of 1975. Under an informal understanding between the two countries, the United States expects to supply about 1.5-2 million tons of grains to the GDR annually.

World Weather

North America—The outlook for the hard winter wheat crop in the United States continued to improve during April 18-24 as excellent rains—1-2 inches, generally—fell throughout most of the Plains States, including South Dakota. Moisture-deficient North Dakota, the leading spring and Durum wheat State, however, did not share in the week's rainfall.

South America—Generally dry weather with above-normal temperatures was favoring the corn harvest as well as the planting of winter grains in Argentina. In Brazil, the southern states have had a respite from the heavy precipitation that has plagued these areas in recent weeks. Heavy precipitation, however, fell over parts of the southeast.

USSR—Moderate-to-heavy precipitation was general throughout European USSR. Spring field work is being held up by incessant rains the past 3 weeks in the Baltics, Byelorussia, and in the western Ukraine. For the second successive week excellent rains in the southern and eastern Ukraine and in the lower Volga Valley greatly improved the moisture situation in those areas.

Asia—In the People's Republic of China, there has been some improvement in the drought-stricken winter wheat areas in the north. Many areas in the Provinces of Hopeh, Shantung, and northern Honan—the heart of the drought area—received moderate to heavy rainfall.

Africa—In North Africa, heavy rains fell over the wheat-growing areas of Algeria and Tunisia, but Morocco was dry during the reporting period. Light spotty showers fell over the principal agricultural regions in South Africa as the corn harvest season draws near.

Europe—Seasonal temperatures have returned to Western Europe, but persistent—almost daily—light rains continue to hamper field operations with spring sowing behind schedule in many areas. The unseasonably cold weather during the first half of April not only damaged vineyards, deciduous fruits, vegetables, and some other crops in Western Europe, but forced some farmers to return to barn feeding of livestock.

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